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From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Financial Regulations applicable to the general budget of the European Union Institute for Security Studies

Article 12 of Council Decision 2014/75/CFSP of 10 February 2014 on the European Union Institute for Security Studies[1] provides that "The Board, with the assent of the Council, shall draw up, on a proposal from the Director, detailed financial rules specifying, in particular, the procedure to be followed for establishing, implementing and controlling the budget of the Institute."

On 4 December 2014, the Council gave its assent to the Financial Regulations as agreed by the Institute's Board at its meeting on 30 October 2014 and as set out in the Annex to doc. 16079/14.

On the proposal of the EUISS Director, the Board agreed on 10 July 2015 on amended Financial Regulations applicable to the general budget of the European Union Institute for Security Studies. The amendments to the Financial Regulations aim at providing for the possibility to pay the first instalment of the contribution to the Institute's budget on 1 February instead of 1 January (Article 7(5)(a) of the Financial Regulations), as well as for a period after the expiry of which any amount which is receivable but not paid shall bear interest (Article 7(7) of the Financial Regulations).

[1] OJ L 41, 12.2.2014, p. 13.

The text of the Financial Regulations was examined by the Working Party of Foreign Relations Counsellors and approved on 23 July 2015, as set out in the Annex.

Subject to confirmation by the Permanent Representatives Committee, the Council is therefore requested to give its assent to the Financial Regulations as drawn up by the Board and set out in the Annex.

FINANCIAL REGULATIONS

applicable to the general budget of the European Union Institute for Security Studies

July 2015

Chapter I – General Provisions

Article 1

References

These Regulations shall cover the financial administration of the European Institute for Security Studies, hereinafter referred to as "the Institute", in accordance with the provisions of Council Decision 2014/75/CFSP of 10 February 2014.

Article 2

Financial Year

The Financial Year of the Institute shall be the period 1 January to 31 December.

Chapter II – Preparation and Submission of the Budget

Article 3

Draft budget

By 31 October each year, the Director shall submit to the Board a draft budget covering all income and expenditure of the Institute, including its establishment plan, in connection with the Institute's draft annual work programme for the following financial year. The total income and expenditure of the budget shall be in balance. They shall be denominated in EUR.

Article 4

Structure and presentation of the budget

1. The budget shall consist of a general statement of revenue and expenditure divided into chapters and articles.

2. The budget estimates shall be accompanied by general explanations of proposed expenditure, distinguishing permanent, renewable expenditure from expenditure in respect of new measures to be adopted in the following year. Detailed explanatory information by chapter and article, together with a list of the staff, shall be annexed.

3. A separate explanation shall be given for expenditure to be incurred over more than one financial year and involving budget appropriations of several successive budgets. When these commitments are approved by the Board, the budget appropriations concerned shall be approved when adopting the related budgets.

Chapter III – Approval of the Budget

Article 5

Approval

1. After examination of the draft budget in accordance with the arrangements set out in Chapter I, the Board shall approve the annual budget by unanimity of the representatives of the Members States by 30 November at the latest. If additional explanations are deemed necessary, the Director or the Director's representative may be invited to present these to the Board, either at meetings or in writing, and in any event before 30 November.

2. In the case of unavoidable, exceptional or unforeseen circumstances, the Director may propose a draft amending budget to the Board. The draft amending budget shall be drawn up, proposed and approved in accordance with the same procedure as the annual budget. The Board shall act taking due account of the urgency.

Article 6

Late approval

1. If at the beginning of the financial year the budget has not been approved by the Board, the Director shall be authorised, unless the Board decides otherwise, to enter into commitments and make payments until 31 March of the current financial year up to the level of three-twelfth of the budget appropriations approved for the previous year, and thereafter, on a monthly basis, up to one-twelfth of the previous year budget until the new budget is approved.

2. If the cash position of the Institute does not allow for the payment of the amounts referred to in paragraph 1, the Director shall be entitled to request from Member States an amount up to the maximum referred to in paragraph 1.

Article 7

Provision of funds

1. Funds shall be constituted through:

   a) Budgetary contributions – contributions from Member States related to activities included in the Institute's annual budget;

   b) Extra-budgetary contributions - additional contributions from individual Member States and from other sources for specific projects relevant to the Institute's mission and tasks which are not covered by the budgetary contributions.

   c) Miscellaneous income – corresponding to amounts received by way of fines, penalties, sanctions and any accrued interest.

2. The contributions from Member States for the budgetary period in question shall be assessed in Euros according to the gross national product scale as referred to in Article 28 (3) of the Treaty on European Union and in accordance with the Council Decision 2007/436/EC, Euratom of 7 June 2007 on the system of the European Communities' own resources[2].

3. The data for the calculation of contributions shall be those set out in the "GNI own resources" column in the table entitled "Summary of financing of the general budget by type of own resource and by Member State" appended to the budget of the European Union. The contribution of each Member State from which a contribution is due shall be proportional to the share of Gross National Income (GNI) of that Member State in the total GNI aggregate of the Member States from which a contribution is due.

4. Approval of the budgets by the Board shall constitute the authority for the Director to request contributions from Member States. The Institute shall simultaneously call for funds from the relevant department in each Member State, and at the latest four weeks before the due dates.

[2] (OJ L 163, 23.6.2007, p.17).

5. All payments of contributions in respect of the approved budget of the Institute shall be due in two instalments on the following dates:

   a) 50 per cent of the approved budget on 1 February or within two weeks following the late approval of the budget as referred to in Article 6;

   b) the remaining 50 per cent before 1 July.

6. Contributions resulting from an amending budget in accordance with Article 5 (2) and additional contributions in accordance with Article 7 (1), b) granted to the Institute in the course of the year, shall be payable within eight weeks after the issue of the letters calling for the contributions.

7. Any amount which is receivable but not paid by the thirtieth day following the due date shall bear interest. The interest rate for such shall be the rate applied by the European Central Bank to its principal refinancing operations, as published in the C series of the Official Journal of the European Union, in force on the first calendar date of the month in which the due date falls, increased by three percentage points.

   Interest shall be calculated from the thirty- first day following the due date specified in the call for funds up to the calendar day on which the debt is paid in full. Any partial payments shall first cover the interest determined in accordance with the above.

8. Contributions by Member States which exceed the total sum of commitments incurred by the end of the financial year shall be credited to Member States in the following year in accordance with the scale of contributions in force during the financial year in which the contributions were called.

   The same procedure shall apply to the amount corresponding to the cancelled budget appropriations carried over pursuant to Article 11.

9. Additional contributions in accordance with Article 7 (1) b) shall correspond to complementary activities added to the Institute's work programme. At the end of the financial year, any unexpended balance shall be carried forward to the next financial year.

10. The amounts referred to in Article 7 (1) c) shall be recorded as budgetary revenue as soon as possible and at the latest in the financial year following the year in which income has been recognized.

Chapter IV – Implementation of the Budget

Article 8

General Provisions

Approval of the budget by the Board shall constitute the necessary authority for the Director:

(a) to enter into commitments and make payments for the purposes for which the budget appropriations have been approved and within the limits of those budget appropriations;

(b) where approval is given to incur expenditure over more than one financial year, to enter into commitments which are for the approved purposes and which do not exceed the total sum so approved.

Article 9

Management principles

1. Generally accepted accounting principles in the European Union shall be applied in the day-to-day financial management of the Institute. In particular, the implementation and management of the budget shall be in accordance with the following specific principles:

   a) Separate bank accounts shall be kept for the Operational and the Pensions financial resources. The Institute shall enter all income and settle all payments in the respective bank accounts.

   b) Expenditure shall be made in four separate phases: commitment, validation, authorisation and payment.

   c) The duties of Authorising Officer and Financial Controller shall be segregated and mutually exclusive.

d) Payment documents (cheques or transfer orders, and authorisation forms for electronic payments) shall be signed by an agent designated by the Director as provided for in paragraph 2 and by the Financial Controller or any other agent designated by him.

2. The Director is the principal authorising officer for budgetary transactions. He may designate in writing, among the staff members occupying budget post listed in the establishment plan, the agents authorised to sign payment documents and agents acting as Authorising Officers by Delegation. The Authorising Officers by Delegation are authorised to make budgetary and legal commitments, validate and authorise expenditures within the limits set by Director's decision.

Article 10

Day-to-day management

1. The Director may authorise transfers of budget appropriations:

   a) from one chapter to another up to a maximum of 10% of the budget appropriation for the respective chapters as approved at the beginning of financial year;

   b) between articles within the same chapter of the budget without limit.

   The Director shall inform the Board about any transfer carried out under paragraph 1 a) within 1 month from the moment when the transfer was made.

2. With the prior agreement of the Board, the Director may make transfers in excess of 10% of budget appropriations from one chapter of the budget to another; the Board shall give its approval following examination of a detailed report from the Director setting out the urgent reasons or other circumstances that justify such transfers.

3. After transfers have been entered in the Institute's accounts, they shall be included in the Closing Budget Report.

4. Entries in the accounts shall show, by chapter and article:

   a) budget appropriations;

   b) commitments;

   c) income received during the financial year;

   d) payments made;

   e) remaining budget appropriations.

5. Cash and bank entries shall show:

   a) contributions due from Member States;

   b) payments made by them and amounts still due;

   c) income from other sources;

   d) commitments still to be settled;

   e) debts being recovered;

   f) all other assets and liabilities.

Article 11

Budget appropriations carried forward

1. Budget appropriations shall be available for commitment only during the financial year to which they relate. The uncommitted balance of such appropriations shall be cancelled automatically at the end of each financial year.

2. Budget appropriations corresponding to obligations duly contracted at the end of the financial year shall be carried over automatically to the following financial year only.

3. The Institute shall inform the Board by 31 March of the carry over decision it has taken.

Article 12

Responsibilities of the Director

1. The Director shall be responsible for the Institute's funds and property, he shall ensure that they are properly accounted for, and he shall be answerable to the Board for the proper conduct of financial affairs.

2. The Director shall designate the banks in which the Institute's funds are to be deposited. He may arrange for all transactions necessary for the running of the Institute.

3. The Director shall designate agents who are to be responsible for the day-to-day management of the funds made available to the Institute. He shall make the necessary arrangements to ensure that the Institute's Financial Regulations are correctly implemented.

4. The Director, with the approval of the Board, shall be authorised to delegate the management of the Institute's pension funds to a specialised authority, organisation or financial institution.

5. The Director shall designate agents who are authorised to disburse and receive funds on his behalf. Such appointment shall be made in a document signed by all concerned as the first administrative document of the new budgetary period.

6. The Director shall make such internal arrangements as may be necessary to maintain a continuous check on all financial transactions in order to prevent any abuse or irregularity in the use of the Institute's funds; he shall endeavour to make the greatest economies possible compatible with the proper functioning of the Institute.

7. To that end the Director shall establish rules and procedures to implement of these Financial Regulations, in particular the provisions of Article 9. A copy of these rules and procedures shall be sent to the Board for information.

Article 13
Financial Controller

1. The Board shall appoint a financial controller within the administration of the Institute.

2. The financial controller shall sign all commitments and payments of all expenditure and monthly cash statements and shall record and collect all revenue. No transaction or procedure with financial or budgetary implications may be carried out without his signature.

Article 14
Financial Control

1. The financial controller shall have no authority to question the appropriateness of any operation decided by the Director, and therefore may not refuse to sign such operations.

2. The financial controller shall refuse to give his approval when:

a) the expenditure exceeds the budget appropriation;

b) expenditure is not covered by funds available in the banks;

c) expenditure has not been charged to the appropriate budget chapter and article;

d) payments are not accompanied by supporting vouchers duly validated by the responsible agents of the Institute;

e) the transaction has been carried out in breach of a provision of these Regulations.

Such refusal shall be notified to the Director or agents who have delegated powers by virtue of the provisions in Articles 9 and 12.

When approval is withheld, the Director may overrule such refusal, by decision stating full reasons and on his own responsibility. This decision shall be final and binding; it shall be communicated for information to the financial controller. The Director shall inform the College of Auditors of all such decisions during the audit of Institute's financial statements.

Article 15

Accounting System

1. Accounts shall be kept to show:

a) For each item in the budget, amounts authorised, commitments undertaken, made, and available balances of authorisations;

b) Contributions and additional contributions from Member States, together with the payments received from them, and the balances remaining due.

c) Miscellaneous income.

d) Cash balances and balances at banks.

e) Other assets and liabilities of the Institute.

2. Accounting records shall be kept for ten years. All invoices, vouchers and any kind of other supporting documents relating to the aforementioned records shall be kept for five years.

Chapter V – Public Procurement

Article 16

General Provisions

1. Public procurement refers to the entire process of acquiring Goods, Services or Works, including through competitive processes (i.e. the preparation of Calls for Tenders, management of the bidding process, receipt, opening, examination and evaluation of bids and post-qualification) or by sole-source contracting. These rules do not apply to the selection of no-profit entities involved in the implementation of Institute's projects or cost-sharing agreements with international or government organizations which are separately negotiated.

2. It is imperative that all transactions engaging Institute's resources will be carried out to the highest ethical standards and comply with the principles of best value for money, fairness, integrity, non-discrimination, transparency and effective competition.

3. The concept of best value for money should underline all of the Institute's procurement and contracting activities. The funds and resources should be used in the most efficient, environmentally sound and cost-effective manner, taking into account the purpose and object of the procurement. In practical terms, best value for money relates to the following areas:

   a) Life-cycle costs: when relevant, best value for money takes into account not only the purchase price of an item of good but also the total direct and indirect costs relating to the acquisition, operation and disposal (i.e. the whole life cycle of a product). By itself or in combination with environmental sustainability, this principle may therefore justify a procurement that is initially more expensive but promotes savings over a longer term.

b) Best business practices: best value for money may incorporate best business practices in supply chain management, including the establishment of long-term relationships with private-sector companies and framework agreements. Accordingly, a collaborative procurement and/or contract with another international organisation or public sector company may be considered if it results in volume discounts or provides added value to the Institute.

c) Contract award criteria: except for certain complex procurements, a contract award should be issued to the Bidder having submitted the lowest evaluated price among all substantially responsive Bids that were also deemed to be technically compliant.

Article 17
Procurement Procedures

1. Procurement procedures shall take one of the following forms:

a) Direct Procurement: may be used for any low-value procurement where an estimated value of contract is not exceeding EUR 10,000. This procedure does not provide for a formal competition and would require one price quotation from an eligible, qualified and capable company.

b) Request for Quotation: should be used for procurement where the estimated value of the contract is considered to be a medium-value, i.e. between EUR 10,000 and EUR 50,000. This procedure requires at least three (3) responsive price quotations to be obtained from companies that are reputable, well established, and are suppliers of the requisitioned goods, services or works as part of their normal business.

c) Call for Tender: for high-value contracts above EUR 50,000. Call for Tender is a procedure under which all interested companies are given equal opportunities to participate. It should provide the greatest opportunity for competition and satisfy the Institute’s best value for money concept in terms of economy and efficiency.

2. For Goods, Services and Works, in determining the appropriate Procurement Procedure the estimated contract value shall be calculated on the basis of all actual and reasonably foreseeable costs (e.g., applicable taxes, duties and impositions, provided that they are payable by the Institute) over the aggregate duration of the contract.

Chapter VI – Closure of the Financial Year

Article 18

Closing budget

1. Following settlement of the final transactions in a financial year, and by 31 March at the latest, the Director shall arrange for a closing budget to be drawn up showing, in the same format as the full budget, by chapter and article:

   a) the budget initially approved;

   b) transfers made during the course of the year between articles and chapters;

   c) income received during the financial year;

   d) expenditure actually settled;

   e) unexpended budget appropriations;

   f) amounts carried over.

2. The Director shall arrange in addition for the following documents to be included as annexes:

   a) the statement of budgetary contributions received and outstanding at the end of the year;

   b) the statement of extra-budgetary contributions;

   c) the balance sheet and the statement of financial performance, showing all assets and liabilities of the Institute, the financial situation and the economic result at 31 December of the preceding year;

The Director shall include with these documents any comments and explanations that are deemed necessary. All these documents shall be forwarded by 31 March, at the latest, to the College of Auditors for examination prior to discharge procedure by the Board.

Article 19

Statement of Pension Account

The Director shall submit to the Board by 31 March at the latest a statement of Institute's Pension Account which should indicate the status of the pension fund for the reporting period, year-by-year performance of the fund and information regarding allocation of the assets.

Chapter VII – Control of the Budget

Article 20

Auditors

1. Following the end of each financial year, an external financial audit of the expenditure and revenue administered by the Institute shall be carried out by the College of Auditors.

2. The College of Auditors shall be composed of one to three Auditors appointed by the Board for an initial period of three successive years with possibility of extension for another three years period. The period of appointment of each Auditor shall begin on different dates. The Auditors shall be appointed from candidates proposed by the Member States, in such a way that a fair rotation amongst Member States wishing to nominate Auditors is ensured. The Board should seek the appointment of at least two Auditors if possible. The candidates shall be members of a public audit institution of a Member State and offer sufficient guarantees of security and independence.

3. The members of the College of Auditors shall be available to carry out tasks on behalf of the Institute as needed. In carrying out these tasks, the members of the College shall:

   a) continue to be paid by their audit body of origin and shall only receive from the Institute reimbursement of their mission expenses on the same basis as provided for in the rules applicable to the Institute’s agents;

   b) neither request nor receive instructions other than from the Board; within its audit mandate, the College of Auditors and its members shall be completely independent and solely responsible for the conduct of the external audit.

4. The Senior auditor shall act as Chairman of the College of Auditors, and shall solely report on their task to the Board on behalf of the College.

5. No person who has been a permanent agent of the Institute may be appointed auditor until an interval of three years has elapsed from the end of the previous appointment.

Article 21

Audit procedure

1. The College of Auditors shall carry out such examination and make such enquiries as it considers necessary to make a report and in particular to express an opinion whether:

   a) the accounts and supporting vouchers are in accordance with the documents mentioned in Article 15 above;

   b) the financial transactions were made in accordance with the Regulations, budgetary provisions and other applicable directives;

   c) there was regular reconciliation and verification of financial statements and funds on deposit in finance organisations.

2. The Director shall provide the College of Auditors with every facility it may require to accomplish the audit.

3. The College of Auditors shall prepare its report no later than six months after the end of the financial year to which it relates. This report may make such observations as are considered necessary on:

   a) the regularity of transactions and their conformity with the regulations in force;

   b) the accounting methods and practices in use.

4. The College of Auditors shall examine whether all revenue has been received and all expenditure incurred in a lawful and regular manner and whether the financial management has been sound.

5. Without prejudice to paragraph 4, the College of Auditors shall not make any observation on the appropriateness of expenditure decided by the Director.

6. Before writing its final report, the College of Auditors shall afford the Director and the agent responsible for administration and finances an opportunity to comment and provide any additional explanations regarding its observations. These observations shall either be included in the audit report, in a manner in which they are clearly distinguishable as such from the report itself, or attached to it.

7. The College of Auditors shall submit its final report to the Director, who shall forward it to the Board.

Article 22

Discharge

After examining the auditors' final report and any observations made thereon by the Director of the Institute, the Board shall examine the closing budget mentioned in Article 18.

It may call for any additional explanation on the financial transactions listed that it deems necessary.

It shall grant discharge in respect of the implementation of the budget for the financial year in question to the Director, in accordance with the provisions of Article 11 paragraph 5 of the Council Decision on European Union Institute for Security Studies; that discharge shall be communicated in writing.